Key Trends in Financial Services
Asia Pacific
BANK 2.0 TO 3.0 TO 4.0?

**Bank 2.0**

1. **Customer Experience**
   - Customer centrity
   - Empowerment & Simplicity
   - Alignment towards customer engagement

2. **Social Banking**
   - Peer benchmarking (i.e. “people like you”)
   - Peer-to-peer lending
   - Investment community

3. **Available anytime, anywhere, any device**
   - Digital banking
   - Branchless/light banking
   - Real-time
   - Synchronization

**Bank 3.0**

1. **Bank-in-a-phone**
   - Frictionless / NFC
   - Mobile wallets
   - No banking ‘channels’

2. **Contextual engagement**
   - Situation-aware
   - KYC – data-driven

3. **Separate distribution & development of financial products & services**
   - Branchless
   - Empowerment
   - Owning ‘distribution layer’ & ‘volume’, owning customer experience

**“Bank 4.0”**

1. **Bio-metric adoption**
   - Bio-metric set instead of password/PIN
   - Bio-metric authentication on wearables
   - Facial recognition

2. **Integration into consumer’s lifestyle**
   - Need and preference
   - Remove customer friction
   - “Segment of One”

3. **Cognitive computing**
   - Automation
   - Augmentation
   - Machine learning

4. **Big data (Structured & Unstructured data)**
   - Speech/voice data
   - Geolocation data
   - Social media/network

**Brett King Bank 2.0, 3.0**
EVOLUTION OF DIGITAL BANKING

**Digital Bank 1.0**
- E-Banking
  - Dial-up experience
  - Email & SMS contact
  - Online banking
  - CRM/Databases

**Digital Bank 2.0**
- Multi-channel Integration
  - Web-based A/C origination
  - Online calculator
  - Click-to-chat call
  - Datawarehouse
  - KYC

**Digital Bank 3.0**
- OMNI-Channel
  - Seamless experience
  - Smartphone APPs
  - Internet & Hybrid cloud
  - Click-to-video call
  - 360 customer view

**Digital Bank 4.0**
- IoT & Cognitive Computing
  - Digital banking/branch
  - Bio-metric banking
  - Big data (structured & unstructured data)
  - “Segment of One”
  - Inter-cloud

**Timeline**
- 199x – 2002
- 2003 – 2008
- 2009 – 2014
- 2015 –

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"At the foundation of success is to develop a **frictionless digital experience** for the consumer, with an emphasis on onboarding and relevant targeted offers."

"Firms **have to spend** on maintaining and upgrading their risk and compliance systems to keep up with regulatory changes. Managements are looking for ways to **monetize risk and compliance technology spending** to modernize their firms, grow revenue, and reduce costs."

--IDC FutureScape: Worldwide Financial Services 2016 Predictions

Note: The size of the bubble indicates complexity/cost to address. Source: IDC Financial Insights, November 2015
TREND 1 – OMNI-ENGAGEMENT IMPORTANCE

- Digitization & O2O
- Shifting Customer Preference
- Competition from FinTech
- Sustainable Growth
BANKING

TREND 1 – OMNI-ENGAGEMENT IMPORTANCE

New Online Design

2012
• Traditional design

2014
• Similar to eCommerce design
• Simple and intuitive

* Investment of $19M to build 40+ Light Digital Branches in higher consumer traffic hubs, like shopping malls, from 2014 to 2018
* Newest technology to empower customer(self-service) and improve in-branch engagement
Customer: Angie Smith
Occupation: Marketing Director

Profiling:
- Active online
- Foodie, Shopper
- Retain & Grow

Angie logs in online, a staged Mortgage Renewal offer is displayed, but Angie is busy, and doesn’t consider today. ....

Existing mortgage expires in 3 months

Angie browses to Travel Insurance as she booked a trip to Singapore next week, but undecided

Offer re-calibrated based on most recent search behavior

A new Ad shown offering Temp line increase for her travel next week. Perfect time! Angie accepts the offer.

Officer helps her with the transaction

Two days before Angie’s departure date, she receives travel tips & special offers in Singapore

Dining & Shopping offers in Singapore (partner merchants)

Officer makes special Travel Insurance offer to Angie. She is delighted to accept the offer

Next day, Angie goes to nearby branch to get foreign currency.
“Cognitive computing is a straightforward extension of analytics work.” – Thomas Davenport

Hong Leong Bank starts cognitive learning system in its credit card services
11 Jan 2016

As part of its blueprint for digitisation, Hong Leong Bank Berhad has launched a new initiative to elevate its customer experience by incorporating IBM Watson, a cognitive learning system in its credit card services.

HSBC invests in cognitive computing firm CustomerMatrix
25 Jan 2016

HSBC has led a $160.5 million Series B funding round for New York-headquartered cognitive computing startup CustomerMatrix.

Automation
- Call center service (by machine)
- Determine loan eligibility
- Generate natural language report with commentary

Augmentation
- Financial advisor to better serve personalized needs
- Identify alternative and optimize recommendation

2As – Personalization, Speed, Consistency, Real-time, Cost Efficiency
How to apply credit card?

1. Online application & card home delivery service
   待银行审核，若审核通过将有专员为您上门服务。通过这种方式需要先确认您所在区域，能否提供免费预约上门服务（选择省/市/区后会显示结果）。

2. In-branch service
   办理点工作人员现场核对的方式，在现场填写相关资料后可直接办理。

3. Special note for higher limit
   1. Please wait a little as the question is bit complicated
   2. What can I assist you
   3. Steps to set up monthly payment in mobile APP

Which type of credit card for frequent traveler?

1. Pls contact our card center for assistance
2. Apologies, unable to locate the requested information, pls contact card center for assistance

Steps to set up monthly bill payment?

1. Pls wait a little as the question is bit complicated
2. What can I assist you
3. Steps to set up monthly payment in mobile APP
Banks face huge pressures in meeting regulatory requirement while managing escalating cost:
1. Meet capital, liquidity requirement & address financial crime/tax issue, ie. BASEL III, Stress testing, AML, FACTA
2. Significant increase in external reporting requirements, improve internal aggregation and reporting of risk data
3. Business pressure to reuse or make better use of the aggregated risk and compliance data to improve efficiency

Over the coming years, banks will begin to:

• **Monetize** risk and compliance investments and the leading firms will **reuse compliance data** to power innovations in sales/marketing.

• Significant $ on risk & compliance systems to keep up with regulatory changes. Banks want to monetize risk and compliance technology spending to modernize their firms, grow revenue, reduce costs.

• **Aggregating customer and transaction data** to improve their risk & compliance analytics. Sales & marketing are looking to improve customer retention and marketing programs, and reusing some of the aggregated risk and compliance data can help

• Significant infrastructure investments in **Big Data tools & analytics** to support pricing, fraud, AML, and payments analysis. Same tools can overlay analytics on integrated customer data, allowing marketers to gain insight into customers.
TREND 3 – MONETIZING RISK AND COMPLIANCE

Speech Analytics

Adherence to Compliance
Sales surveillance:
• Address and meet regulatory requirements
• Timely evaluation of 100% sales related calls
• Detect non-compliance calls for call-back next day

Call centre services:
• Increase FCR performance
• Identify gap or issues in operational process, especially x-functional
• Automate call tagging to more accurately categorize call reasons

Superior Customer Experience

Text Analytics

Business Efficiency
Efficiency and productivity:
• Leverage learning from sales process to support individual coaching program
• Simplify and improve customer communication
• Gain consumer and market insights
BANKING  
TREND 3 – MONETIZING RISK AND COMPLIANCE

Social Network Analysis

Business Challenges

**First Party Application Fraud**

Fraudster misrepresents part or the whole of their profile to deceive the banking institution into opening a new facility.

First Party application fraud typically makes up between 0.5% - 1% of all applications.

**1st Party Bust-Out Fraud/Credit Abuse**

After the fraudster has opened a facility they attempt to withdraw maximum funds before they are identified by the banking institution.

Sleeper/Bust-out typically manifests itself between 6-9M from point of on-boarding

**Third Party/Identity Theft Application Fraud**

The Fraudster assumes the identity of a legitimate customer and opens a new facility with an banking institution.

40% of application fraud can be 3rd party fraud/identity theft

Estimates are 5-20% of a credit risk portfolio is really fraud.
Most Fintech firms have the advantage of being highly specialized, providing attractive alternatives to mostly commoditized banking products and services. Wealthfront is one of the success stories.

**Wealthfront – an automated investment service in US**
- Analyze your current investment portfolio
- Provide recommendation to improve performance of portfolio
- Monitor and manage the portfolio on behalf of customer
- Highly competitively fee of 0.25% a year
BANKING

TREND 4 – PFM INSPIRES MOBILE GROWTH

PFM is increasingly provided via Direct banking service in China
Do away with branch, & business through digital platform, especially mobile APP
7x24hr services to improve client experience with ease of access, empowerment and fast execution
Enable wider reach of customers with lower entry barrier and provide inclusive finance

Inclusive finance: 3-step, Hassle-free way to invest

1. Financial planning to fulfil customer’s aspiration: house, vacation, car ...
2. Keep track of spend by category, vs Budgeting
3. Ensure security and safety of customer’s A/C
TREND 4 – PFM INSPIRES MOBILE GROWTH

1. Complete investment profile assessment – 10 MCQ

**Age**

1. Your age is?
   - 18-30 (I'm a young one)
   - 31-50 (I'm a middle-aged one)
   - 51-60 (I'm a middle-aged one)
   - Above 60 (I'm an elderly one)

**Income**

2. Your annual income is?
   - Below 5,000 (I'm a frugal family)
   - 5-20,000 (I'm a moderate family)
   - 20-50,000 (I'm a large family)
   - Above 50,000 (I'm a rich family)

Instant Assessment Result:
- **Type**: Balanced investor
- **Risk appetite**: L3
- **Expected return**: Average

Sign up Bank for Youngster
2. Instant product recommendation and selection setup

智能理财签约
请设定投资产品：
平安盈（大华） 预期年化收益率3%~5%
快E盈 预期年化收益率4.8%

这里是产品选择区，可以选择您想要投资的产品。每个产品的属性不同，点击左侧图标可以查看产品的详细属性，一定要详细阅读属性信息哦！
起点收益率 请输入年化收益率 % 推荐3%
最低流动资金 不留存

我同意并同意《平安银行智能理财协议》，《平安盈"服务协议"》，《平安银行"快速服务协议"》

下一步
BANKING TRENDS – PFM INSPIRES MOBILE GROWTH

Jono, here is our quote for your car insurance

Check your quote  You are in scenario: Scenario A

Your quote

- 9 payments: £52.27
- Payment: Pay monthly
- Quote reference: 5C1-6A3-BAE
- Quote valid until: 02/07/2014

Your cover

- Type of cover: Comprehensive
- Start date of cover: 02/07/2014
- Car registration: YK10JZW
- No Claims Discount: 9 years
- NCD protection: Yes

Your payment

- Representative example
  - Deposit (payable today): £156.80
  - Monthly payment: £150
  - Total payable: £627.20
  - Amount of credit: £560.00
  - Interest: £67.20
  - Duration of plan agreement: 9 months
  - Price if paying annually: £1587.73 APR 28.6% representative (variable)
The web Q & B engine calls the decision flow and passes in a set of request variables, including Channel, Premium, Cover etc.

The 3 decision models are executed in sequence.

The scoring outcomes are utilised by the Business Rules Node to calculate the Expected Profit.

The Expected Profit is then used by the Instalment Plan business rule to pass back the chosen Instalment Plan information back to the requesting channel.
Creating a Digital Banking Ecosystem – what is Bank’s role and the Roadmap

**Identify**
Banks should identify area of focus and develop capabilities to attain long-term competitiveness and sustainability

**Strategize**
Banks should devise strategic plan with diverse options such as acquisition, building, collaboration and investment

**Collaborate**
Area of collaboration may include:
- a) Build APIs to enable apps and innovation
- b) Build new services using new technologies

**Transform**
Transform legacy system to be more agile, build 360-view of their customers and enable real-time analytics with personalization
A travel ecosystem ..... How Bank can integrate into consumer’s daily life?
Q&A
THANK YOU!

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